

**2015/2016 MEDIUM TERM INCOME AND EXPENDITURE FRAMEWORK:
(MTREF);**

(Directorate: Budget and Treasury Office)

VM/pm

1. **STRATEGIC THRUST**

- 1.1 The Budget is the most important strategic planning document of the Council which will guide and determine the day to day actions necessary for the delivery of Municipal services to the Community.
- 1.2 Financial viability is the first priority in the IDP process and has an objective to practice sound and sustainable financial management. This is a responsibility of all managers of Council and will determine the continuous viability of the organisation.

2. **PURPOSE OF THE REPORT**

- 1.3 The requirements for the compilation and submission of the Budget are contained in Chapter 4 of the MFMA and Municipal Budget and Reporting Regulations.
- 1.4 The purpose of tabling the 2015/16 /budget to council is to consider the Income and expenditure per category, the tariffs to realize the budgeted income and to inform council about the limitations regarding the budget. The 2015/2016 MTREF is attached as Annexure "A".

3. **EXECUTIVE SUMMARY**

a. Background

The application of sound financial management principles for the compilation of the municipality's financial plan is essential and critical to ensure that the municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Municipality's business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high- priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and "nice to have" items.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. A service provider for debt collection was appointed to collect outstanding amounts.

The main challenges experienced during the compilation of the draft 2015/16 MTREF can be summarized as follows:

- The ongoing difficulties in the national and local economy;
- Shortfalls from the budgeted and expected revenue in 2015 versus the spending patterns outside available cash.
- Limited scope for diversifying local economy that lead to a limited room for improving revenue enhancement.
- Gross monthly increase in consumer debtors due to non payment for services.
- An unemployment rate of 21% of population in productive age group or economically active population.
- Municipal real financial distress that require a sporadic turn- around strategy.
- The municipality's economy is highly dependent on the mining sector and dependency is almost at 55%
- The economic base is also not supportive to the growth of the population which was standing at around 2.8% in 2013.
- Dependency on the mining sector as the largest provider of the employment opportunities had an impact on the decline in the collection rate.
- There is a constraint decrease in this sector employment due to the 2009 economic recession and the 2013 prolonged strike.
- The highest economically active people only work in Rustenburg, do not live in Rustenburg and do not even support the local economy.
- The dependency of the municipality on grant funding and external financing to fund its capital infrastructure.
- The declining payment levels have impacted greatly on the 2015/16 revenue projections and anticipated savings.
- Given the cash flow realities and declining cash position of the municipality, the projected revenue for electricity and water where projected to grow by an additional 2% by to ensure that at least we break even.;
- Consideration was on increasing tariffs for water and electricity above the recommended 12.20% for electricity and 6% for water and other sundry tariffs to ensure that the costs incurred to render the service to communities are recovered.

The following budget principles and guidelines directly informed the compilation of the draft 2015/16 MTREF:

- The budget process started in 1st August 2014 when the IDP and Budget plan was approved by council
- The budget was aligned with municipal priorities as express in the IDP received every year from directorates exceed the available funds with two to three times and is proof that the needs of the community will always exceed the available funding.

- National Treasury's MFMA Circular No. 48, 51, 54, 55, 58, 61, 66, 70 and 74 were used to guide the compilation of the tabled annual 2015/16 MTREF.
- The cost containment measures were taken into account especially on the non core functions of the municipality like travelling, entertainment and refreshments
- Basic needs of the community have been prioritised in this budget especially water and electricity
- Headline inflation forecast (for 2016– 5.8%, 2017 -5.5% and 2018 – 5.3%) was taken into consideration.
- Wage agreement with the unions (5.8 + 1% for 2015/2016, 5.5% and 5.3 +1 % for outer years).
- Local economic conditions and affordability of services.
- Tariff and Property Rates increases should be affordable and be on par with the headline inflation rate and according to circular 58 of National Treasury, taking into account the growth of the municipality and the need to address infrastructure backlogs.
- No budget will be allocated for external funded projects unless the request is supported by a written confirmation from the external source on the specific grant.
- No budget will be allocated to capital projects unless it is included in the IDP.
- Directorates should undertake intensive periodic planning on their operating and capital budget components to ensure efficient and effective cash flow planning therefore eliminating possible wasteful and fruitless expenditure.
- All expenditure even if it is budgeted for, must be carefully considered to ascertain that the hard earned money of the public is not wasted and the principle of value for money must prevail.

OUTLOOK OF 2015/2016 MTREF

The following table is a consolidated overview of the proposed 2015/16 Medium-term Revenue and Income expenditure Framework:

Description		2015/16 Medium Term Revenue & Expenditure Framework		
		Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	Adjusted Budget			
Total Revenue (excluding capital transfers and contributions)	3 251 080	3 487 091	4 000 935	4 377 567
Total Expenditure	3 250 723	3 486 408	4 000 773	4 364 855
Surplus/(Deficit)	357	683	7 162	12712
Total Capital Expenditure» Standard	1 405 750	1 240 832	879 375	834 124

The 2015/16 MTREF presents a total spending of R3,5billion for 2015/16 and R4billion and R4,4 billion for the two outer years in operating budget. Capital budget spending is at R1, 2billion for 2015/16, R879 million, and R 834million for the two outer years.

This budget reflects the Council's response to the needs of the residents, ratepayers and the business community which it serves and a detailed multi-year budget is attached as Annexure "A"

Total operating revenue has increased by 11.56 (%) per cent or R403 million in 2015/16 financial year when compared to the 2014/15 projected actual billed revenue of R3billion. The municipality has introduced the cost reflective calculation of its revenue. The payment levels for the past two years average is standing at 84% (2013/14 and 2012/13 at 90% and 78%) calculated as per MFMA circular 71 and is at 85% end February 2015 showing a decline in the billed revenue especially water and sanitation.

For the two outer years, operational revenue will increase by 13% and 8.44 (%) per cent respectively, equaling to a total revenue growth of R521 million and 370million over the MTREF.

Total operating expenditure for the 2015/16 financial year has been appropriated at R3.5 billion. Operational expenditure increases by 511million or 14.65% when compared to the 2014/15 projected expenditure of R3billion. There is a growth of 12.86 and 8.34 (%) respectively for the outer years.

When compared to the 2014/15 Adjustments Budget, the operating surplus for the 2015/16 financial year is has increased by R326 000.

There is a substantial decrease in the capital budget for the 2015/16 financial year. Only projects to be funded from conditional grants and already received loans are budgeted for in 2015/16.

The capital budget decreases by R165million in 2015/16 financial year As part of the financial recovery plan, in the 2015/16 financial year R1million will be rein fenced monthly as a contribution to internally generated funds to be availed for capital projects in 2017/2018.

The major proposed spending of the capital in 2015/16 will be on the following:

- | | | |
|----|--|---------------|
| 1. | Rustenburg Rapid Transport (roads) | R525,2million |
| 2. | Electricity | R176,3million |
| 3. | Sewer reticulation and treatment works | R26,2million |
| 4. | Water supply | R110million |
| 5. | Rustenburg Water Services Trust | R268million |

OPERATING REVENUE FRAMEWORK

For RLM to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines of the circulars;
- Growth in Rustenburg and continued economic development;
- Electricity tariff increases as approved by the National Electricity Regulator of South Africa (NERSA);
- Achievement of full cost recovery of specific user charges especially in relation to trading services;
- Projected revenue to be realistic. The projected revenue for trading services were informed by the performance of the municipality for the past six months projected for the full year and also taking into account the payment levels for the past two years collection rate and February 2015 collection rate average.
- The proposed tariffs increases have been determined in relation to the costs of rendering such a service and ensuring that the consumers are not being overburden to an extent of not being able to afford paying for services.
- The municipality's collection rate calculated per MFMA circular 71 is at 84% end of February 2015, at 90% and 78% in 2013/14 and 2012/13 financial years respectively.
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA); The municipality implemented the new valuation roll in 2014/15 financial year and its impact on consumers was also taken into account when tariffs for property rates were calculated. The increase is kept at 6.20%
- Increase in ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of the municipality.

The following table is a summary of the table 2015/16 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand	1										
Revenue By Source											
Property rates	2	167 339	171 819	174 156	256 484	285 338	285 338	285 338	280 920	297 213	313 560
Property rates - penalties & collection charges											
Service charges - electricity revenue	2	839 961	1 126 230	1 751 434	1 889 181	1 570 575	1 570 575	1 570 575	1 744 570	1 946 012	2 171 378
Service charges - water revenue	2	314 171	385 082	321 814	512 999	407 626	407 626	407 626	418 740	443 369	468 274
Service charges - sanitation revenue	2	71 452	63 495	180 724	176 046	180 787	180 787	180 787	190 903	202 711	214 978
Service charges - refuse revenue	2	65 542	79 497	88 646	88 273	92 614	92 614	92 614	95 642	101 189	106 755
Service charges - other		–	–	1 371	478	488	488	488	473	501	528
Rental of facilities and equipment		5 265	5 726	15 164	15 106	10 086	10 086	10 086	7 508	7 892	8 276
Interest earned - external investments		55 475	58 766	29 977	30 657	33 237	33 237	33 237	22 952	24 325	25 727
Interest earned - outstanding debtors		125 551	110 594	125 090	126 771	136 756	136 756	136 756	118 580	126 502	134 450
Dividends received		17	–	–	–	–	–	–			
Fines		7 729	10 678	13 854	13 382	12 054	12 054	12 054	11 017	11 656	12 297
Licences and permits		8 957	10 590	9 619	12 933	10 507	10 507	10 507	9 659	10 219	10 781
Agency services		7 599	14 670	19 977	21 095	29 586	29 586	29 586	16 000	16 928	17 859
Transfers recognised - operational		462 846	945 827	355 078	389 947	455 500	455 500	455 500	546 088	793 986	865 874
Other revenue	2	21 440	182 018	42 725	36 360	25 827	25 827	25 827	24 037	25 432	26 830
Gains on disposal of PPE		470	7 609	30 072	30 000	100	100	100			
Total Revenue (excluding capital transfers and contributions)		2 153 814	3 172 602	3 159 702	3 599 712	3 251 080	3 251 080	3 251 080	3 487 091	4 007 935	4 377 567

Table 3 Percentage growth in revenue by main revenue source

NW373 Rustenburg - Table A4 Consolidated Budgeted Financial Performance (revenue and expenditure)									
Description	Ref	Current Year 2014/15		2014/15 Medium Term Revenue & Expenditure Framework					
R thousand	1	Adjusted Budget	Revenue as % of the Total Revenue	Budget Year 2015/16	Revenue as % of the Total Revenue	Budget Year +1 2016/17	Revenue as % of the Total Revenue	Budget Year +2 2017/18	Revenue as % of the Total Revenue
Revenue By Source									
Property rates	2	285 338	8.78	280 920	8.06	297 213	7.42	313 560	7.16
Property rates - penalties & collection charges									
Service charges - electricity revenue	2	1 570 575	48.31	1 744 570	50.03	1 946 012	48.55	2 171 378	49.60
Service charges - water revenue	2	407 626	12.54	418 740	12.01	443 369	11.06	468 274	10.70
Service charges - sanitation revenue	2	180 787	5.56	190 903	5.47	202 711	5.06	214 978	4.91
Service charges - refuse revenue	2	92 614	2.85	95 642	2.74	101 189	2.52	106 755	2.44
Service charges - other		488	0.01	473	0.01	501	0.01	528	0.01
Rental of facilities and equipment		10 086	0.31	7 508	0.22	7 892	0.20	8 276	0.19
Interest earned - external investments		33 237	1.02	22 952	0.66	24 325	0.61	25 727	0.59
Interest earned - outstanding debtors		136 756	4.21	118 580	3.40	126 502	3.16	134 450	3.07
Dividends received		-	-	-	-	-	-	-	-
Fines		12 054	0.37	11 017	0.32	11 656	0.29	12 297	0.28
Licences and permits		10 507	0.32	9 659	0.28	10 219	0.25	10 781	0.25
Agency services		29 586	0.91	16 000	0.46	16 928	0.42	17 859	0.41
Transfers recognised - operational		455 500	14.01	546 088	15.66	793 986	19.81	865 874	19.78
Other revenue	2	25 827	0.79	24 037	0.69	25 432	0.63	26 830	0.61
Gains on disposal of PPE		100	0.00	-	-	-	-	-	-
Total Revenue (excluding capital transfers and contributions)		3 251 080	100.00	3 487 091	100.00	4 007 935	100.00	4 377 567	100.00

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket. Rates and service charge revenue is at 78.32% or is R2.7 billion of the total 2015/16 budgets. In the outer years projected revenue from rates and services charges total R2.9 billion or 38.18 % per cent of the total revenue R3, 3billion or 37.04%.The increase is at 6.77% when compared with the 2014/15 adjustment budget.

The revenue generated from rates and other trading services has increased by 11.47% when compared with adjusted budget, projected actual billing of 2014/15. This is due to the recalculation of tariffs to ensure that the projected revenue is realistic and costs reflective.

The increase for revenue generated from rates and other trading services for outer years is at 8.68% and 8.69 (%) respectively

This growth can be mainly attributed to the increased share that the sale of electricity contributes to the total revenue mix, which in turn is due to rapid increases in the Eskom tariffs for bulk electricity. The above table includes revenue foregone arising from discounts and rebates associated with the tariff policies of the Municipality.

There is an increase of 5.84. % for property rates revenue when compared to the projected actual billing for 2014/15 financial year, for the two outer years is 5.48%.01% and 5.21% respectively. Due to the improvement in data cleansing more stands data will be incorporated into our financial system and are now going to be charged according to the corrected values. This is one of the revenue enhancement strategies that is currently yielding results.

Electricity revenue is at 50 (%) per cent or R1.7544 million of the total revenue in 2015/2016. There is an overall increase of 10.59% on electricity revenue in 2015/16 when compared to the 2014/15 projected adjustment budget. For the outer years, electricity is growth is at 10.35 and 10.38%.

Water revenue for 2015/2016 financial year increases by 13.48% overall when compared to the projected 2014/15 adjustment budget. In the two outer years, water revenue increases by 5.55% and 5.32% respectively. It is envisaged that more meters will be read as the municipality has already install pre-paid meters in Lethabong as a pilot. The project will be rolled over to other areas where consumption is high but payment very low especially on townships.

Consideration was on increasing tariffs for water above the recommended 6% to ensure that the costs incurred to render the service to communities are recovered. Domestic tariff increase will still be increased by 6% on consumption range of 0-12kl but once exceeding 12kl pay consumption at a variable tariff.

Revenue of **sanitation** has grown by 26%. When taking out the equitable share component the service is operating at a loss due to a current flat rate that has been charged. The municipality proposes introducing a variable tariff charged based on the m2 (squared metre) on a dwelling where service is provided in respect of land having drainage installation.

Refuse revenue increases by 4.60% in 2015/16 financial year and it further increases by 8.37% and 8.03% respectively in outer years.

The above increase of revenue of property rates, electricity, water, refuse and sanitation include income foregone and RWST.

Operational grants is the second largest revenue source totaling 15.66 (%) per cent or R457 million.

Interest from outstanding debtors is at 3.40% of the 2015/2016 total revenue budget. This is the interest charged on accounts in arrears. The credit control and debt collection policy has a

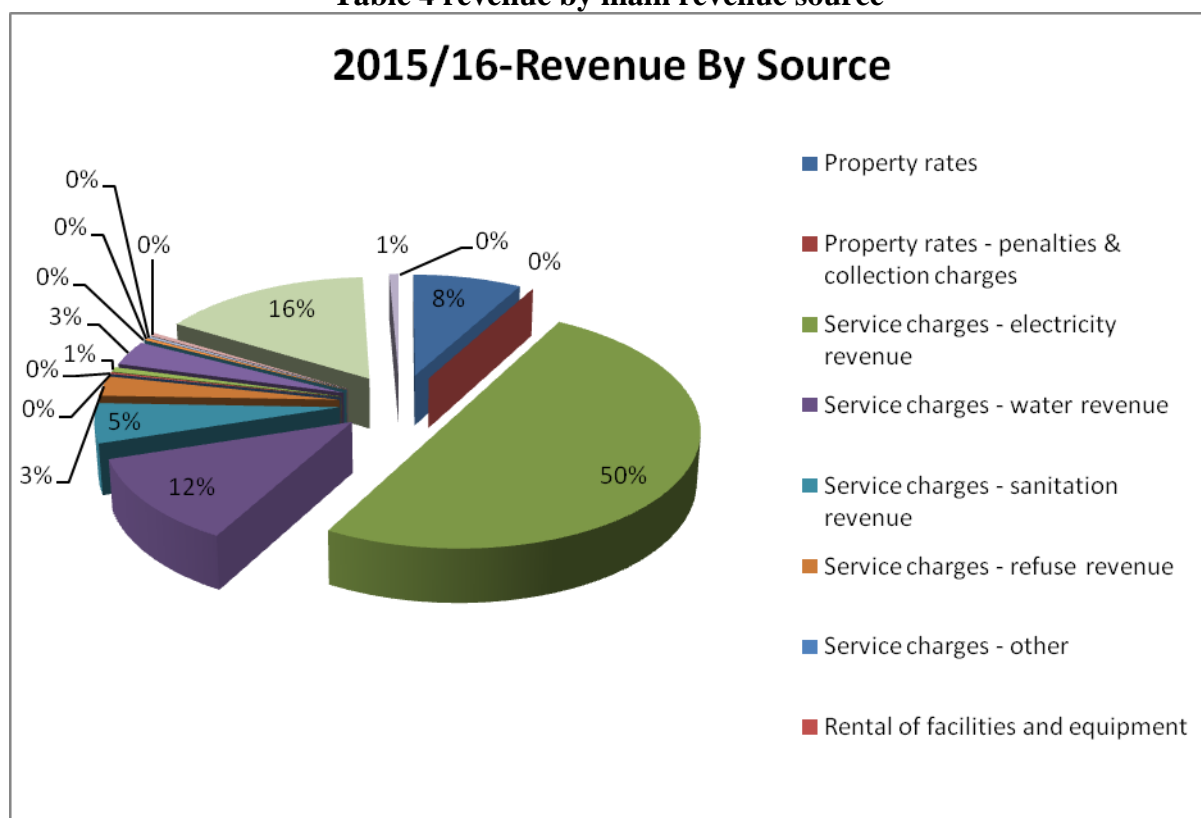
provision to write off outstanding interest if the whole account is settled and the municipality has appointed additional service providers to accelerate debt collection.

Interest on investment is at 0.66% or (R22.9. million) of the budgeted revenue in 2015/16 financial year Interest earned on investment is underperforming due to consumers extending the payment period to more than 30 days, forcing the municipality to cash its investment within a short period. It is projected that the interest will grow by 5.64% and 5.45% over the MTREF outer years.

Revenue from fines has been decreased by 9.41% in 2015/16 financial year as compared to the adjustment budget. The rentals of municipal buildings and facilities have seen a trend of declining revenue. More effort is needed to ensure that all municipal buildings rented are charged market related rentals as the expenditure incurred to repair the buildings far exceeds the revenue generated.

Collection from traffic fines has also declined when comparing it to the 2013/14 actuals.

The following table gives a breakdown of the revenue category
Table 4 revenue by main revenue source



Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability. Proposed tariffs are attached as Annexure “B”

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

Given that these tariff increases are determined by external agencies, they have impact on the municipality's electricity and water and these tariffs are largely outside the control of the municipality. Discounting the impact of these price increases in lower consumer tariffs will erode the municipality's future financial position and viability.

It must also be appreciated that the consumer price index, as measured by CPI, is not a good measure of the cost increases of goods and services relevant to municipalities. The basket of goods and services utilized for the calculation of the CPI consist of items such as food, petrol and medical services, whereas the cost drivers of a municipality are informed by items such as the cost of remuneration, bulk purchases of electricity and water, petrol, diesel, chemicals, cement etc. The current challenge facing the Rustenburg Local Municipality is managing the gap between cost drivers and tariffs levied, as any shortfall must be made up by either operational efficiency gains or service level reductions. Within this framework the Rustenburg Local Municipality has undertaken the tariff setting process relating to service charges as follows.

Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process. The increase is at 6.20%.

A summary of the proposed tariffs for households (residential) and non-residential are as follows:

Table 5 – Proposed Property rates tariff increase

ASSESSMENT RATES					
TARIFF ID	TARRIF DESCRIPTION	CURRENT TARRIF 2014/15	PROPOSED TARRIF 2015/16	INCREASE	% INCREASE
		R / C	R / C		
AB	REBATE EARNINGS< 4500	-0.4000	-0.4000	-	-
AC	REBATE EARNINGS BETWEEN 4500 AND 5500	-0.3000	-0.3000	-	-
AD	REBATE EARNINGS BETWEEN 5500 AND 6500	-0.2000	-0.2000	-	-
EB	GOVERNMENT REBATE 20%	-0.1000	-0.1000	-	-
	RESIDENTIAL REBATE	-100 000	-100 000	-	-
AA	RESIDENTIAL 1	0.0055	0.0058	0.0003	6.20
AE	RES 1 VACANT LAND	0.0083	0.0088	0.0005	6.20
BA	RESIDENTIAL 2-4	0.0055	0.0058	0.0003	6.20
BB	RES 2-4 VACANT LAND	0.0083	0.0088	0.0005	6.20
CA	BUSINESS/COMMERCIAL	0.0201	0.0213	0.0012	6.20
DA	INDUSTRIAL	0.0201	0.0213	0.0012	6.20
EA	GOVERNMENT	0.0191	0.0203	0.0012	6.20
FA	EDUCATIONAL	0.0191	0.0203	0.0012	6.20
GA	MINING	0.0211	0.0224	0.0013	6.20
HA	AGRIC RESIDENTIAL	0.0014	0.0015	0.0001	6.20
IA	AGRIC VACANT LAND	0.0083	0.0088	0.0005	6.20
IB	AGRIC BUSINESS/INDUSTRIAL	0.0210	0.0223	0.0013	6.20
IC	AGRICULTURAL	0.0014	0.0015	0.0001	6.20
	PRIVATE ROAD	0.0056	0.0059	0.0003	6.20
	GUEST HOUSES	0.0071	0.0075	0.0004	6.20
	PRIVATE SCHOOLS	0.0201	0.0213	0.0012	6.20
	CRECHES	0.0201	0.0213	0.0012	6.20
	PRIVATE OWED TOWN	0.0028	0.0030	0.0002	6.20
	VACANT - BUSINESS	0.0214	0.0227	0.0013	6.20
	PRIVATE OPEN SPACES	0.0059	0.0063	0.0004	6.20

Sale of Water and Impact of Tariff Increases

The revision in the water tariff is necessities by the high demand of water in relation to the municipal aging water infrastructure, the cost of maintaining the water purification plants, water networks and the cost associated with the reticulation expansion:

Water tariffs are structured to protect basic levels of service and ensure the provision of free water to the poorest of the poor (indigent); and are designed to encourage efficient and sustainable consumption.

The bulk water purchases proposed increases from. Rand Water and Magalies Water is at 10% and 9 % respectively, the consumer tariff had to be increased between 6(%) and almost 59(%)per cent for variable consumption and type of customer.

Table 7 Proposed Water Tariffs

		2014/2015	2015/2016	
WATER SERVICES TARIFFS		Current Tariff	Propose Tariff	% increase
VARIABLE TARIFF				
DOMESTIC TOTAL				
Conventional meter				
Consumption 0KL to 12KL	Consumption 0KL to 12KL	9.3259	9.8855	6.00%
In excess of 12 kilolitres up to 25 kilolitres per erf per month:	Consumption > 12KL =< 25KL	10.7625	11.8388	10.00%
In excess of 25 kilolitres up to 40 kilolitres per erf per month:	Consumption > 25KL =< 40KL	12.3375	13.5713	10.00%
In excess of 40 kilolitres up to 60 kilolitres per erf per month:	Consumption > 40KL =< 60KL	13.9650	15.3615	10.00%
In excess of 60 kilolitres per erf per month:	Consumption > 60KL	15.1200	16.6320	10.00%
Prepaid				
Consumption 0KL to 12KL	Consumption 0KL to 12KL	9.3259	9.8855	6.00%
In excess of 12 kilolitres up to 25 kilolitres per erf per month:	Consumption > 12KL =< 25KL	10.7625	11.8388	10.00%
In excess of 25 kilolitres up to 40 kilolitres per erf per month:	Consumption > 25KL =< 40KL	12.3375	13.5713	10.00%
In excess of 40 kilolitres up to 60 kilolitres per erf per month:	Consumption > 40KL =< 60KL	13.9650	15.3615	10.00%
In excess of 60 kilolitres per erf per month:	Consumption > 60KL	15.1200	16.6320	10.00%
AGRICULTURAL DOMESTIC TOTAL				
Consumption 0KL to 12KL	Consumption 0KL to 12KL	12.6500	13.4090	6.00%
In excess of 12 kilolitres up to 25 kilolitres per erf per month:	Consumption > 12KL =< 25KL	12.6500	14.2135	12.36%
In excess of 25 kilolitres up to 40 kilolitres per erf per month:	Consumption > 25KL =< 40KL	12.6500	15.6349	23.60%
In excess of 40 kilolitres up to 60 kilolitres per erf per month:	Consumption > 40KL =< 60KL	12.6500	17.1984	35.96%
In excess of 60 kilolitres per erf per month:	Consumption > 60KL	12.6500	18.9182	49.55%
COMMERCIAL TOTAL				
Commercial				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.6500	13.6620	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.6500	13.9150	10.00%
INDUSTRIAL				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.6500	13.6620	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.6500	13.9150	10.00%
AGRICULTURAL				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.6500	13.6620	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.6500	13.9150	10.00%
BOSPOORT				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.1800	13.6620	12.17%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.6500	13.9150	10.00%
INSTITUTIONAL TOTAL				
Church				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.6500	13.6620	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.6500	13.9150	10.00%
Educational				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.1842	13.1589	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.1842	13.4026	10.00%
municipal				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.1842	13.1589	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.1842	13.4026	10.00%
special				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	12.1842	13.1589	8.00%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	12.1842	13.4026	10.00%
GOVERNMENT				
For consumption up to 150 kilolitres – per kilolitre per month	Consumption =< 150KL	10.1653	13.1589	29.45%
For consumption exceeding 150 kilolitres – per kilolitre per month	Consumption > 150KL	10.1653	13.4026	31.85%
FIXED TARIFF				
DOMESTIC TOTAL	P/A	P/M	P/M	14.00%
Availability Fees for Vacant Stands	670.0800	55.84	61.4240	10.00%
Basic Fees from Number of Domestic Consumers	670.0800	55.84	59.1904	6.00%
INDUSTRIAL TOTAL				
Availability Fees for Vacant Stands	695.6400	57.97	63.7670	10.00%
Basic Fees	695.6400	57.97	63.7670	10.00%
COMMERCIAL TOTAL				
Availability Fees for Vacant Stands	695.6400	57.97	63.7670	10.00%

Sale of Electricity and Impact of Tariff Increases

Approval from NERSA has not yet been received. Proposed tariffs submitted to NERSA are the ones indicated below. Furthermore, it should be noted that given the magnitude of the tariff increase, it is expected to depress growth in electricity consumption, which will have a negative impact on the municipality's revenue from electricity. Registered indigents will again be granted 50 kWh per 30-day period free of charge.

The inadequate electricity bulk capacity and the impact on service delivery and development remains a challenge for the Rustenburg Local Municipality. The upgrading of the municipality's electricity network has therefore become a strategic priority, especially the substations and transmission lines.

The approved budget for the electrical unit can only be utilised for certain committed upgrade projects and to strengthen critical infrastructure (e.g. substations without back-up supply).

ESKOM bulk purchases on electricity will increase by 14.24% from the 1st July 2015. The municipality intend bringing in the increase in sales of electricity through tariff charges in line with various categories of its consumers in relation to their demand or use of electricity taking into account the time of use and the range in peak or off peak.

The increase in the sale of electricity will be in line with the 12.20% as per circular 74 only when the customer does not exceed the permissible 12.20% increase.

In order for the municipality to recover costs on the electricity services, the following is part of proposals that will be submitted to NERSA on sale of electricity:

- For business rate customers discard basic charges and bring in service charges
- Introduce peak and off peak tariffs
- Customers over 100KV not to qualify for business charges but go to bulk consumers' charges
- Large customers referred to as key customers above 5 MVA, to pay key customer service charge on high demand season so as to recoup the cost of supply
- Introduce conversion surcharge for customers converting to FLEX and first year charge be at 30% ,second year at 20% and 10% at third year,
- Upgraded customers to pay the contribution for network upgrade and these contributions to be re-infenced.
- Introduce reactive energy charge in excess of 30% of active energy but only on high demand season
- Propose Infrastructure subsidy on the flexi and bulk customers @ 5 CENTS
- Business customers to pay a contributions fee once off, when exceeding the requested demand, municipality to send a letter and include a penalty for excess use.
- When continuously exceeding must upgrade but cannot decrease once at maximum demand for that year.

NOTE: Determination made by NERSA on tariffs will be used as a basis for consultation with the local communities.

The following are the findings from the study of the electricity services by INCA on behalf of the municipality:

- The Management Accounts indicate that electricity billing under-performed by 17%; factors affecting correct billing are as follows:
- Conversions to mega-flex electricity tariffs
- Use of various alternative (solar energy)
- Incorrect electricity zoning
- Load-shedding
- Non-billing
- Incorrect meter-readings (limited access to meter within enclosed properties)

Table 8 Proposed electricity consumption

The proposed increase for electricity is between 10.87% and 12.20 % for residential and will be charged within the identified demand block

Residential Town Conventional and Prepaid						
2013/14			2015/2016			
Tariff Description	c/Unit	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
Block 1 (0 - 50 kWh)	69.83	6	74.02	12.2	9.03044	83.05
Block 2 (51 - 350 kWh)	86.76	6	91.97	12.2	11.22034	103.19
Block 3 (351 - 600 kWh)	100.39	6.39	106.8	12.2	13.0296	119.83
Block 4 (> 600 kWh)	119.68	6.39	127.33	12.2	15.53426	142.86
Tariff Description	R/Month	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
Block 1- 4 Town Conventional Basic charge	R 237.99	0	R 237.99	12.2	0	R 237.99
Block 1- 4 Town Prepaid Basic charge	R 119.00	3.5	R 123.17	12.2	100%	R 237.99
Basic charge on Prepaid - to be same conventional						
Residential Rural Conventional and Prepaid						
Tariff Description	c/Unit	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
Block 1 (0 - 50 kWh)	69.83	6	74.02	12.2	9.03044	83.05
Block 2 (51 - 350 kWh)	86.76	6	91.97	12.2	11.22034	103.19
Block 3 (351 - 600 kWh)	100.39	6.39	106.8	12.2	13.0296	119.83
Block 4 (> 600 kWh)	119.68	6.39	127.33	12.2	15.53426	142.86
Tariff Description	R/Month	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
Block 1- 4 Rural Conventional Basic charge	R 267.75	0	R 267.99	0	0	R 267.99
Block 1- 4 Rural Prepaid Basic charge	R 133.86	3.5	R 267.99	50		R 267.99
Basic charge on Prepaid - to be same conventional						
Residential Lifeline						
Tariff Description	c/Unit	% Increase	2014/15 tariff	% Increase	increase	Proposed 2015/16 tariff
Block 1 (0 - 50 kWh)	69.83	6	74.02	12.2	9.03044	83.05
Block 2 (51 - 350 kWh)	86.76	6	91.97	12.2	11.22034	103.19
Block 3 (351 - 600 kWh)	100.39	6.39	106.8	12.2	13.0296	119.83
Block 4 (> 600 kWh)	119.68	6.39	127.33	12.2	15.53426	142.86
No basic charge						

	Energy charge [c/kWh] OFF		Energy charge [c/kWh]		Reliability service charge [c/kWh]		Network demand		Network access charge		Service	
	SEPT - MAY		JUNE - AUG								administration	
	VAT incl		VAT incl		VAT incl		VAT incl				charge	R/POD PER DAY
Businessrate 1	1.15	1.31	2.06	2.35	0.27	0.31	10.94	12.47	R 17.00		R 10.55	

FOR COMMERCIAL CUSTOMERS WITH A NOTIFIED MAXIMUM DEMAND OF 100 KVA OR LESS				
REPLACE BASIC CHARGE OF R252.86 WITH R10.95 PER DAY				
R/Month	%Increase	Proposed 2014/15	%Increase	Proposed 2015/16 mth
R 252.86	0	R 252.86	0	REPLACE WITH NETWORK ACCESS CHARGE SERVICE AND ADMIN CHARGE
R 126.43	3.5	R 131.96	3.5	REPLACE WITH NETWORK ACCESS CHARGE SERVICE AND ADMIN CHARGE
e/Unit	%Increase	Proposed 2014/15	%Increase	Proposed 2015/16 mth
118.9	-3.9	121.58	-3.9	WITH RESTRICTED TARIFF ABOVE
R 3.2mth	%Increase	Proposed 2014/15	%Increase	Proposed 2015/16 mth
R 279.66	0	R 279.66	0	WITH RESTRICTED TARIFF ABOVE
R 139.83	3.5	R 144.72	3.5	WITH RESTRICTED TARIFF ABOVE

R/Unit	% Increase	Proposed 2014/15	% Increase		Proposed 2015/16 tariff			
R 172.54	7.39	R 185.29	12.2		DISCONTINUE - KW MUST BE CONVERTED TO KVA			
R 168.55	7.39	R 181.01	12.2		R 162.48			
			12.2		R 40.62			
R 1 285.14	7.39	R 1 380.11			R 65.22			
					R 17.25			
59.66	7.39	R 64.07	12.2	1.9	R 1.90			
59.66	7.39	R 64.07		64.07	R 0.647			
					R 0.0200			
R/Unit	% Increase	Proposed 2014/15	% Increase		Proposed 2015/16 tariff			
R 166.60	7.39	R 178.91	7.39		DISCONTINUE - KW MUST BE CONVERTED TO KVA			
R 162.60	7.39	R 174.62	7.39		R 156.75			
					R 39.18			
					R 56.22			
R 1 109.63	7.39	R 1 191.63	7.39		R 15.00			
					R 1.81			
56.35	7.39	R 60.51	7.39		R 0.6051			
					R 0.0200			

2013/14	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
23.74	7.39	25.49	12.2	3.11	28.60
12.58	7.39	19.7	12.2	2.40	22.10
5.76	7.39	6.19	7.39	replace with access and transmission charge	
131.81	7.39	141.55	12.2	17.27	158.82
					1 000.00
35.45	7.39	38.07	12.2	4.64	42.71
15.24	7.39	16.37	12.2	2.00	18.37
7	7.39	7.52	7.39	wh to energy charges peak, std and off peak	
254.18	7.39	272.96	12.2		306.00
66.22	7.39	71.11	12.2		73.62
35.24	7.39	37.84	12.2		45.27
71.56	7.39	76.85	7.39		89.04
43.79	7.39	47.03	7.39		51.94
29.9	7.39	32.11	7.39		38.84
					0.05
2013/14	% Increase	2014/15 tariff	% Increase	Increase	Proposed 2015/16 tariff
23.74	7.39	25.49	12.2	3.11	28.60
12.58	7.39	13.51	12.2	12.2	22.10
5.76	7.39	6.19	12.2	replace with access and transmission charge	
131.81	7.39	141.55	12.2		141.55
					1 000.00
35.45	7.39	38.07	12.2	4.64	42.71
15.24	7.39	16.37	12.2	2.00	18.37
7	7.39	7.52	add 0.0251c/kwh to energy charges peak, std and off peak		
261.66	7.39	281	12.2		318.00
68.35	7.39	73.4	12.2		85.17
36.31	7.39	38.99	12.2		46.56
72.62	7.39	77.99	12.2		90.32
44.86	7.39	48.18	12.2		56.87
30.97	7.39	33.26	12.2		40.13
					0.05

Sanitation and Impact of Tariff Increases

There is a proposed increase of between 4 % and 14% per cent for sanitation. This is based on the input cost assumptions related to water.

The following table compares the current and proposed tariffs:

Table 9 Proposed Sanitation tariff.

Charges shall now be payable by the occupier of any dwelling where such service is provided in respect of land having a drainage installation thereon which is connected to Rustenburg Local Municipality. Flat rate will be replaced by the charged determined on the square metres.

The increase range from 4% to 14% per category of consumer on a 300m² to larger than 2 000m²

The following are the new proposed tariffs

SANITATION SERVICES TARIFFS	2014/2015	2015/2016	
	Current Tariff	Proposed Tariff	% increase
RESIDENTIAL	104.82	Deleted	
Up to and including 300 m ²		109.0128	4%
From 301 m ² to 1 000 m ²		115.5536	6%
1 001 m ² to 2 000 m ²		124.7979	8%
Larger than 2 000 m ²		137.2776	10%
RESIDENTIAL SECTIONAL TITLE	104.82	Deleted	
Up to and including 300 m ²		109.0128	4%
From 301 m ² to 1 000 m ²		115.5536	6%
1 001 m ² to 2 000 m ²		124.7979	8%
Larger than 2 000 m ²		137.2776	10%
AGRICULTURAL RESIDENTIAL	104.82	Deleted	
Up to and including 300 m ²		109.0128	4%
From 301 m ² to 1 000 m ²		115.5536	6%
1 001 m ² to 2 000 m ²		124.7979	8%
Larger than 2 000 m ²		137.2776	10%
AGRICULTURAL BUSINESS	110.06	Deleted	
Up to and including 300 m ²		116.6636	6%
From 301 m ² to 1 000 m ²		128.3300	10%
1 001 m ² to 2 000 m ²		143.7296	12%
Larger than 2 000 m ²		163.8517	14%
BUSINESS	110.06	Deleted	
Up to and including 300 m ²		116.6636	6%
From 301 m ² to 1 000 m ²		128.3300	10%
1 001 m ² to 2 000 m ²		143.7296	12%
Larger than 2 000 m ²		163.8517	14%
EDUCATIONAL	114.25	Deleted	
Up to and including 300 m ²		121.1050	6%
From 301 m ² to 1 000 m ²		133.2155	10%
1 001 m ² to 2 000 m ²		149.2014	12%
Larger than 2 000 m ²		170.0896	14%
	2014/2015	2015/2016	
	Current Tariff	Proposed Tariff	% increase
INDUSTRIAL	114.25	Deleted	
Up to and including 300 m ²		121.1050	6%
From 301 m ² to 1 000 m ²		133.2155	10%
1 001 m ² to 2 000 m ²		149.2014	12%
Larger than 2 000 m ²		170.0896	14%
MUNICIPAL	110.06	Deleted	
Up to and including 300 m ²		116.6636	6%
From 301 m ² to 1 000 m ²		128.3300	10%
1 001 m ² to 2 000 m ²		143.7296	12%
Larger than 2 000 m ²		163.8517	14%
RELIGIOUS	114.25	Deleted	

Waste Removal and Impact of Tariff Increases

Waste management division has introduced the waste management tariff policy that outlines the cost to be mapped against the tariff required to reflect costs of rendering the service. The refuse removal charges for household increases are kept at 5.57% and for other consumers ranges between 5.57% to 85.33% per required service.

New tariffs are added for; additional services, disposal charges at the drop-off centres and transfer stations, disposable charges at the Waterval landfill site as specified in the tariffs's annexure.

The following table compares current and proposed amounts:

Table 10 Proposed Waste Removal tariffs

WASTE TARIFFS 2015/16					
TARIFF CATEGORY	TARIFF CODE	Unit	Approved tariff 2014/15 R/C	Proposed tariff 2015/16 R/C	INCREASE %
REFUSE REMOVAL CHARGES FOR HOUSEHOLDS (including removal and disposal of waste)					
240L STANDARD CONTAINER 1 X WEEK RES 1	AA	R/month	101.49	107.48	5.57
240L STANDARD CONTAINER 1 X WEEK RES 2-4	BA	R/month	101.49	107.48	5.57
BAG COLLECTION (4 BAGS each 85L)	NEW	R/month		107.48	100.00
MONTHLY RENTAL PER 240LITER BIN	NEW	R/month	15.50	16.41	5.57
REFUSE REMOVAL CHARGES FOR BUSINESSES (including rental of containers, removal and disposal of waste)					
240L BULK CONTAINER 1 X WEEK	CF	R/month	269.47	370.00	27.17
240L BULK CONTAINER (ADDITIONAL)	CG	R/month	219.04	315.00	30.46
770L BULK CONTAINER 1 X WEEK	NEW	R/month	639.65	1 100.00	41.85
770L BULK CONTAINER (ADDITIONAL)	NEW	R/month	628.93	930.00	32.37
1100L BULK CONTAINER 1 X WEEK	NEW	R/month	1 279.31	1 580.00	19.03
1100L BULK CONTAINER (ADDITIONAL)	NEW	R/month	1 114.24	1 340.00	16.85
1.5 m³ BULK CONTAINER 1 X WEEK	CB	R/month	1 356.07	1 800.00	24.66
1.5 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CC	R/month	1 181.09	1 540.00	23.31
4.0 m³ BULK CONTAINER 1 X WEEK	NEW	R/month	-	4 100.00	100.00
4.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	NEW	R/month	-	3 460.00	100.00
6.0 m³ BULK CONTAINER 1 X WEEK	CD	R/month	5 406.77	6 075.24	11.00
6.0 m³ BULK CONTAINER 1 X WEEK (ADDITIONAL)	CE	R/month	4 181.93	5 150.00	18.80
STD CONTAINER 2 X WEEK BUS/COM	CA	R/month	250.76	to be deleted	-
REFUSE REMOVAL CHARGES FOR INDUSTRY					
MINING INDUSTRY	HA	R/month	105.40	to be deleted	-
AGRICULTURAL INDUSTRY	IA	R/month	1 364.81	to be deleted	-
OTHER INDUSTRIAL FACILITIES	DA	R/month	119.93	to be deleted	-
REFUSE REMOVAL CHARGES FOR INSTITUTIONS					
GOVERNMENTAL INSTITUTIONS	EA	R/month	101.49	on respective b	-
CHURCHES	FA	R/month	101.49	on respective b	-
EDUCATIONAL INSTITUTIONS	GA	R/month	101.49	on respective b	-
MUNICIPAL INSTITUTIONS	JA	R/month	101.49	on respective b	-
RENTAL SERVICES (including placement and removal of containers, but excluding disposal costs)					
240L BIN RENTAL (Including disposal costs)	CJ	R/week	59.50	192.00	69.01
770L CONTAINER RENTAL (Including disposal costs)	NEW	R/week	80.00	385.00	79.22
1100L CONTAINER RENTAL (Including disposal costs)	NEW	R/week	140.31	440.00	68.11
1.5 m³ CONTAINER RENTAL	CN	R/week	148.73	525.00	71.67
4 m³ SKIP CONTAINER RENTAL (First Removal)	CK	R/week	524.93	1 060.00	50.48
4 m³ SKIP CONTAINER RENTAL (Additional Removal)	NEW	R/week	463.68	900.00	48.48
6 m³ SKIP CONTAINER RENTAL (First Removal)	CL	R/week	594.92	1 530.00	61.12
6 m³ SKIP CONTAINER RENTAL (Additional Removal)	NEW	R/week	524.93	1 300.00	59.62
9 m³ SKIP CONTAINER RENTAL (First Removal)	NEW	R/week	330.00	2 250.00	85.33
9 m³ SKIP CONTAINER RENTAL (Additional Removal)	NEW	R/week	7 659.34	1 912.50	-300.49
36 m³ RORO CONTAINER RENTAL (First Removal)	NEW	R/week	3 569.51	5 400.00	33.90
36 m³ RORO CONTAINER RENTAL (Additional Removal)	NEW	R/week	3 149.57	4 590.00	31.38
OTHER SERVICES					
RENTAL OF WASTE MANAGEMENT HALL	NEW	R/day	795.00	841.91	5.57
RENTAL OF PA (SOUND) SYSTEM	NEW	R/day	650.00	688.35	5.57
WASTE REMOVAL INFORMAL SETTLEMENT PER SHACK	NEW	R/shack	15.00	15.89	5.57
WASTE TRANSPORTER PERMIT VEHICLES UNDER FOUR	NEW	R/vehicle	100.00	105.90	5.57
WASTE TRANSPORTER PERMIT VEHICLES ABOVE FOUR	NEW	R/vehicle	200.00	211.80	5.57
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1000	NEW	R/stand	8 080.00	8 556.72	5.57
ILLEGAL DUMPING REMOVAL ON EMPTY STANDS 1001	NEW	R/Stand	10 000.01	10 590.01	5.57
SPECIAL WASTE REMOVAL	KA	R/t	835.84	885.16	5.57
CARCASS REMOVAL	KD	R/carcass	230.97	244.60	5.57
CONDEMNED FOODSTUFF	NEW	R/t	788.53	835.05	5.57
STREET SWEEPER OR COLLECTION WORKER	NEW	R/h	-	115.00	100.00
DRIVER	NEW	R/h	-	170.00	100.00
240 LITER BIN ONCE OFF PURCHASE	???	R	510.00	540.09	5.57
770 LITER BIN ONCE OFF PURCHASE	???	R	4 800.00	5 083.20	5.57
1100 LITER BIN ONCE OFF PURCHASE	???	R	5 000.00	5 295.00	5.57
DISPOSAL CHARGES AT THE DROP-OFF CENTRES and TRANSFER STATIONS					
Garden waste (free from impurities)	NEW	R/t	-	10.00	100.00
No other waste is accepted					-
DISPOSAL CHARGES AT THE WATERVAL LANDFILL					
Non Municipal Resident	New	R/t		315.00	100.00
General waste (household waste and similar commercial waste)	NEW	R/t	-	75.00	100.00
Private deliveries of any kind of uncontaminated (no	NEW	R/t	-	-	-
Garden waste (free from impurities)	NEW	R/t	-	-	-
Construction and demolition waste (uncontaminated)	NEW	R/t	-	5.00	100.00
Rubble (stone, concrete or asphalt) with a length of 1	NEW	R/t	-	10.00	100.00
Mixed construction and demolition waste (including	NEW	R/t	-	100.00	100.00
Special waste (Includes solid, liquid, sludge waste or	NEW	R/t	-	200.00	100.00
Mixed industrial and commercial waste	NEW	R/t	-	150.00	100.00
Mixed recyclable wastes (impurities less than 5%)	NEW	R/t	-	-	-
Waste tyres up to a diameter of 0.8 m (normal passenger	NEW	R/tyre	-	5.00	100.00
Waste tyres up to a diameter of 0.8 m (normal passenger	NEW	R/tyre	-	7.50	100.00
Waste tyres with a diameter of larger than 0.8 m - with	NEW	R/tyre	-	15.00	100.00
Waste tyres with a diameter of larger than 0.8 m - with	NEW	R/tyre	-	22.50	100.00
Tyres cut or shredded	NEW	R/t	-	100.00	100.00
E-waste (if more than 50kg) (Electrical and electronic	NEW	R/t	-	50.00	100.00
Bulky waste (Furniture, sofas, beds, mattresses, shel	NEW	R/t	-	50.00	100.00
Hazardous household waste (if more than 10kg)	NEW	R/kg	-	10.00	100.00

SUNDRY TARIFFS

1. Community development

The cemetery tariffs % increase is outside the recommended 6%. The revised tariffs were calculated at projected revenue and expenditure for the 2014/15 financial year as a base to calculate the 2015/16 tariffs for all cemeteries in Rustenburg Local Municipalities jurisdiction per activity type.

The increases in the tariffs for cemeteries ranges between 3.14% and 16% except for re-opening of graves for non-residential which is at 61.26%. The overall increase is kept at 25.50 maximum in monetary terms for cemeteries including opening of graves for non-residential.

Civic Centre and Community Halls % increase is also outside the recommended 6% increase. The revised tariffs were calculated using the 2014/15 projected revenue and expenditure as a baseline for all the activities of the civic centre and community halls for the year.

The increases in the tariffs for civic centre activities range between 5.47% and 40.36% but in monetary terms it ranges between 5 and 830.

The increases in the tariffs for all community halls range between 3.47% and 48.44% but are at 3.47 and 1 313.27 in monetary terms. These tariffs have been determined taking into account the time of use and type of users.

It should be noted that all of the above services type were in the past operating at a loss and will still be operating at a loss especially due to the expenditure not directly linked to the rendering of this service especially on the massive employment workers and duplication of functions through the use of consultants labour.

Swimming pools tariffs for adults and children have not been increased for more than two years hence the proposed increase to cover only the cost of maintaining the swimming pools.

The tariffs are for GALA are not cost reflective and they have not been increased for more than five financial years. Participants at the Gala are paying entrance fees hence the increase

Annexure “B” is all the tariffs of the municipality

Overall Impact of Tariff Increases on Households

The following table shows the overall expected impact of the tariff increases on a large and small household, as well as an indigent household receiving free basic services. Note that in all instances the overall impact of the tariff increases on household's bills has been kept between at 6(%) and 12.20%.

Table 11 MBRR Table SA14 – Household bills

NW373 Rustenburg - Supporting Table SA14 Household bills

Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework			
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16 % incr.	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Rand/cent											
Monthly Account for Household - 'Middle Income Range'	1										
Rates and services charges:											
Property rates		279.07	279.07	260.00	275.00	275.00	275.00	5.5%	290.00	307.11	324.31
Electricity: Basic levy		200.32	222.42	235.32	123.17	123.17	123.17	93.2%	237.99	252.03	266.15
Electricity: Consumption		800.00	884.00	1 025.46	1 089.24	1 089.24	1 089.24	11.7%	1 219.85	1 291.82	1 364.16
Water: Basic levy		45.38	47.64	50.02	55.84	55.84	55.84	6.0%	59.19	62.68	66.19
Water: Consumption		295.76	291.06	313.54	330.78	330.78	330.78	2.4%	340.39	360.47	380.66
Sanitation		94.17	94.17	98.88	104.82	104.82	104.82	10.2%	124.80	132.16	139.56
Refuse removal		86.85	91.19	95.75	101.49	101.49	101.49	5.9%	107.48	113.82	120.20
Other		–	–	–	–	–	–	–	–	–	–
sub-total		1 801.55	1 909.55	2 078.97	2 080.34	2 080.34	2 080.34	14.4%	2 379.70	2 520.10	2 661.23
VAT on Services		213.15	228.27	254.66	252.75	252.75	252.75	15.75	292.56	309.82	327.17
Total large household bill:		2 014.70	2 137.82	2 333.63	2 333.09	2 333.09	2 333.09	14.5%	2 672.26	2 829.92	2 988.40
% increase/-decrease			6.1%	9.2%	(0.0%)	–	–	14.5%	5.9%	5.6%	
Monthly Account for Household - 'Affordable Range'	2										
Rates and services charges:											
Property rates		192.40	192.40	173.33	183.33	183.33	183.33	5.5%	193.33	204.74	216.20
Electricity: Basic levy		200.32	222.42	235.32	123.17	123.17	123.17	93.2%	237.99	252.03	266.15
Electricity: Consumption		413.65	420.00	456.00	473.12	473.12	473.12	11.7%	528.63	559.82	591.17
Water: Basic levy		45.38	47.64	50.02	55.84	55.84	55.84	6.0%	59.19	62.68	66.19
Water: Consumption		239.81	239.81	251.80	266.03	266.03	266.03	2.4%	272.53	288.61	304.77
Sanitation		94.17	94.17	98.88	104.82	104.82	104.82	10.2%	115.55	122.37	129.22
Refuse removal		86.85	91.19	95.75	101.49	101.49	101.49	5.9%	107.48	113.82	120.20
Other		–	–	–	–	–	–	–	–	–	–
sub-total		1 272.58	1 307.63	1 361.10	1 307.81	1 307.81	1 307.81	15.8%	1 514.70	1 604.07	1 693.90
VAT on Services		151.23	156.13	166.29	157.43	157.43	157.43	17.51	184.99	195.91	206.88
Total small household bill:		1 423.81	1 463.76	1 527.39	1 465.23	1 465.23	1 465.23	16.0%	1 699.69	1 799.97	1 900.77
% increase/-decrease			2.8%	4.3%	(4.1%)	–	–	16.0%	5.9%	5.6%	
Monthly Account for Household - 'Indigent'	3										
Household receiving free basic services											
Rates and services charges:											
Property rates		105.73	105.73	86.67	91.67	91.67	91.67	5.5%	96.67	102.37	108.11
Electricity: Basic levy		200.32	222.42	235.32	123.17	123.17	123.17	93.2%	237.99	252.03	266.15
Electricity: Consumption		248.19	238.00	261.00	275.91	275.91	275.91	11.7%	308.54	326.74	345.04
Water: Basic levy		45.38	47.64	50.02	55.84	55.84	55.84	6.0%	59.19	62.68	66.19
Water: Consumption		51.25	188.56	86.08	90.40	90.40	90.40	2.4%	154.02	163.11	172.24
Sanitation		94.17	94.17	98.88	104.82	104.82	104.82	10.2%	109.01	115.44	121.91
Refuse removal		86.85	91.19	95.75	101.49	101.49	101.49	5.9%	107.48	113.82	120.20
Other		–	–	–	–	–	–	–	–	–	–
sub-total		831.89	987.71	913.72	843.30	843.30	843.30	27.2%	1 072.90	1 136.21	1 199.83
VAT on Services		101.66	123.48	115.79	105.23	105.23	105.23	29.88	136.67	144.74	152.84
Total small household bill:		933.55	1 111.19	1 029.51	948.53	948.53	948.53	27.5%	1 209.58	1 280.94	1 352.67
% increase/-decrease			19.0%	(7.4%)	(7.9%)	–	–	27.5%	5.9%	5.6%	

Operating Expenditure Framework

The Municipality's expenditure framework for the 2015/16 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Balanced budget constraint (operating expenditure should not exceed operating revenue) unless there are existing uncommitted cash-backed reserves to fund any deficit;
- Cost containment measures that will guide non- spending on activities that are non-core functions of the municipality.

- The current sporadic strikes at the mines that impacted on the municipal collection of the projected revenue
- The current cash flow position of the municipality with no adequate cash-backed reserves to fund capital projects internally.

The following table is a high level summary of the 2015/16 budget and MTREF (classified per main type of operating expenditure):

Table 12 Summary of operating expenditure Financial Performance (expenditure)

Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Expenditure By Type										
Employee related costs	349 933	442 031	484 177	481 336	511 784	511 784	511 784	529 040	557 135	588 916
Remuneration of councillors	22 717	23 721	27 181	28 766	28 766	28 766	28 766	28 076	29 705	31 338
Debt impairment	266 243	553	205 000	338 000	174 262	174 262	174 262	261 810	276 995	292 229
Depreciation & asset impairment	407 698	418 111	421 282	429 945	313 245	313 245	313 245	288 510	304 235	320 011
Finance charges	45 015	42 560	50 571	80 675	61 675	61 675	61 675	50 044	49 110	47 862
Bulk purchases	725 797	1 036 487	1 674 192	1 596 599	1 602 926	1 602 926	1 602 926	1 778 568	2 009 161	2 270 410
Other materials	74 244	168 260	149 028	136 648	84 120	84 120	84 120	56 907	60 207	63 503
Contracted services	114 190	160 937	262 354	209 551	247 975	247 975	247 975	293 805	495 567	525 798
Transfers and grants	587	1 102	476	57 154	57 163	57 163	57 163	435	435	435
Other expenditure	194 187	685 046	323 019	202 640	168 808	168 808	168 808	199 212	218 224	224 353
Loss on disposal of PPE	2 987	243	-					-	-	
Total Expenditure	2 203 597	2 979 052	3 597 281	3 561 315	3 250 723	3 250 723	3 250 723	3 486 408	4 000 773	4 364 855

The budgeted allocation for **employee related costs** for the 2014/15 financial year is at R529 million inclusive of filling of vacancies and temporary workers, which equals 13.50 (%) per cent of the total operating expenditure and equals to 15.17% in 2015/16, 13.93% and 13.49% respectively in the outer years. It should be noted that the salary component is based on the actual head count received from the salary office taking into account temporary workers. The annual increase based on the three year collective SALGBC agreement is still yet to be determined. An annual increase of 5.4 (%) per cent has been included in the two outer years of the MTREF.

The cost associated with the **remuneration of councillors** is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). Total increase was limited to 6% as proposed by the Minister. The most recent proclamation in this regard has been taken into account in compiling the Rustenburg Local Municipality's budget. Remuneration of councillors equates to 0.81% of the total 2015/16 budget.

The provision of debt impairment was determined based on averaged previous two financial (2013/13 at 90% and 2013/14 at 78%) years and current year (2014/15) actual collection rate of 93% of the anticipated 2015/16 trading services revenue. It has been reduced by 33.44% in 2015/16 when compared to the adjusted budget.

The municipality being mindful of its local economic conditions, and the high rate of unemployment. The write offs will happen with the Debt Write-off Policy and credit control policy of Rustenburg local municipality. While this expenditure is considered to be a non-cash flow item, it informed the total cost associated with rendering the services of the municipality, as well as the municipality's realistically anticipated revenues. Debt impairment comprises 7.51% of the total expenditure for 2015/2016 budget year.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. The depreciation of 2015/2016 financial year is R289million and is at 8.28% of total operational expenditure. Depreciation increased by 5.46% and 8.73 respectively on the outer years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 1.44per cent (R50 million) of the operating expenditure.

Bulk purchases are directly informed by the purchase of electricity from Eskom and water from Rand Water, Magalies water and bulk purchase of purified water from the Rustenburg Water Services Trust. Eskom will increase electricity purchase to municipalities by 14.24% as recommended by NERSA whilst 12.20% is the set increase in electricity sales for the municipalities. The annual price increases for Rand Water is at 10% whilst Magalies will increase water purchases by 9%. These increases have been factored into the budget appropriations and directly inform the revenue provisions. The expenditures include distribution losses. Budget appropriations in this regard amount to R1.8billion for the 2015/16 financial year and equates to 51.01 per cent (%) of the total operating expenditure. Electricity purchase has increased by 12.46% whilst water purchases from Magalies has increased by 8.58% , purified water from RWST by almost doubled, Rand water at almost 78%.

Other materials comprise of amongst others the materials for maintenance. The spending on this item has been reduced by R62.2million as part of the cost cutting measures. This item of expenditure need to be monitored as more reliant is placed on as and when contracts whilst there is no monitoring of deliverables in most contracts. It is imperative that operational efficiency be attended to in order to ensure value for money. Other material is appropriated at R56.9million and is 1.63% of the total operating budget. This group of expenditure has been prioritised to ensure sustainability of the RLM infrastructure.

The following is indication of where the major appropriation is:

- Water network maintenance will receive R7million
- Waste water main lines will receive R7million
- Streets maintenance will receive R7million
- Electrical network maintenance will receive 7million
- Water reservoir will receive R4million
- Management of the landfill site will receive R3.5million
- Telephone switchboard will receive R2.5million
- Water flow meters and control valves will receive R2million
- Maintenance of CCV cameras will receive R2million
- Storm water drainage will receive R2million
- Street lighting will receive R2million

A contracted service spending has been appropriated at R293.8million or for the 2015/16 financial year and is at 8.43% of the total operating budget. This item is increased by almost 35.64% in 2015/16 when compared to the projected 2014/15 actual spending. The budget increase by 40.71% and 5.7% in the outer years respectively.

The major spending for the coming budget will be on the following line items:

Legal expenses	4 000 000.00
Professional fees	4 000 000
Water supply new areas	4 000 000
Fines settlement - collection agreement	4 729 812
Roads rural areas	5 000 000
Marketing & communications agency	8 000 000
Security services	10 000 000
Cleaning: newly incorporated areas	10 000 000
Taxi industry technical & negotiation support	14 500 000
Bus operating company	18 000 000
Contracted services: water	26 425 479
Water services trust	48 000 000
Contracted services: waste	56 154 144.
Specialist support & project coordination support	60 000 000

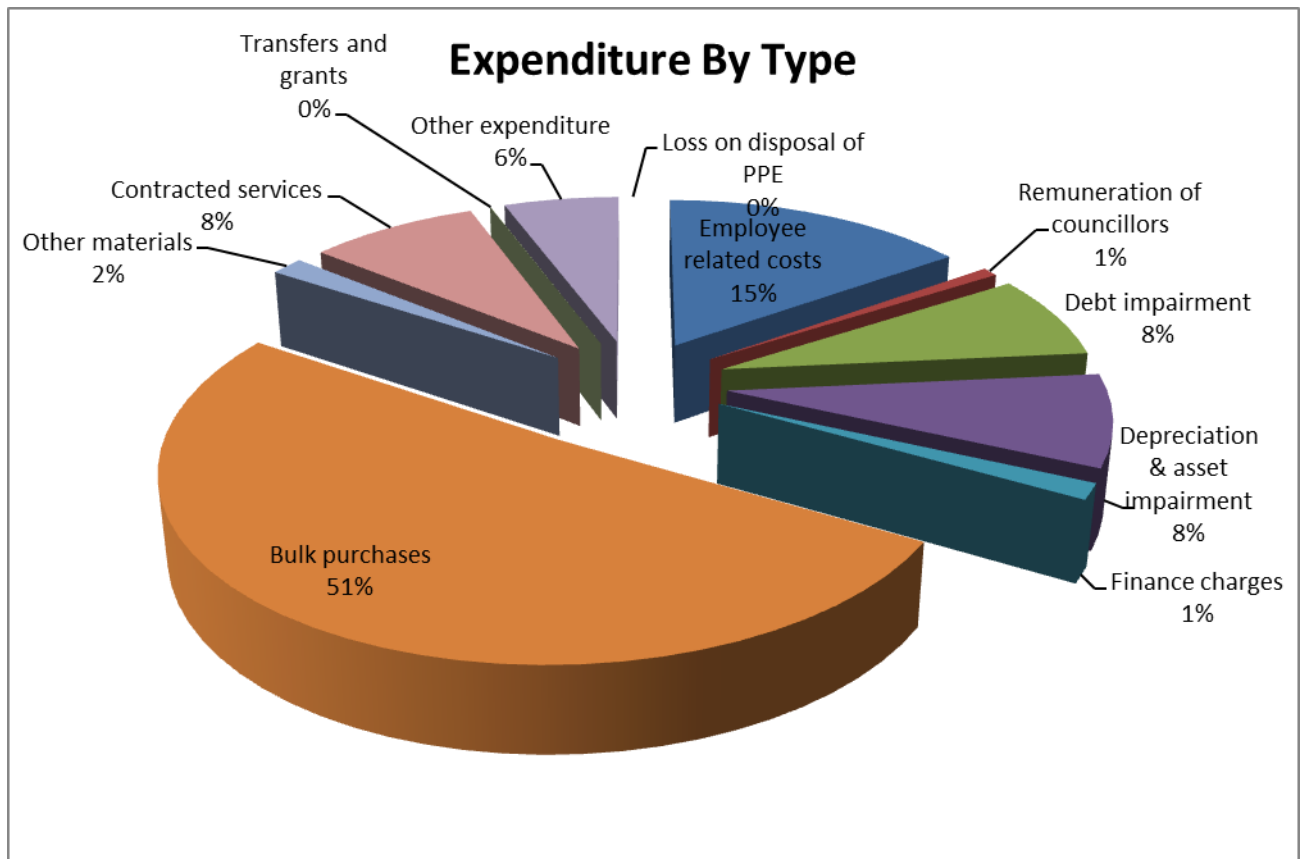
For the two outer years expenditure is at 12.39 % and 12.05% of total operating expenditure.

Other expenditure comprises of various line items relating to the daily operations of the municipality. This group of expenditure has also been identified as an area in which savings and efficiencies can be achieved. There is a decrease of 18.47 (%) percent or 33.5million in 2015/2016 budget year when compared to the projected 2014/15 on this line item. It is 5.71% of total expenditure and gives an average of 5.3% for the two outer years

Table 13 Budgeted Financial Performance (revenue and expenditure): Percentage growth in Expenditure by Type								
Description	Ref	2015/16 Medium Term Revenue & Expenditure Framework						
R thousand	1	Adjusted Budget	Budget Year 2015	% Increase	Budget Year +1	% Increase	Budget Year +2	% Increase
		134 4/15			Forecast 2016/2017		Forecast 2017/2018	
Expenditure By Type								
Employee related costs	2	511 783 564.00	529 040 143.00	3.26	557 134 744.00	4.77	588 916 465.00	5.40
Remuneration of councillors		28 766 009.00	28 076 260.00	-2.46	29 704 683.00	5.20	31 338 441.00	5.21
Debt impairment	3	174 262 000.00	261 809 573.00	33.44	276 994 528.00	5.20	292 229 227.00	5.21
Depreciation & asset impairment	2	313 245 146.00	288 510 206.00	-8.57	304 234 598.00	4.91	320 010 501.00	4.93
Finance charges		61 675 175.00	50 043 997.00	-23.24	49 109 501.00	-1.95	47 861 742.00	-2.61
Bulk purchases	2	1 602 925 744.00	1 778 568 083.00	9.88	2 009 161 077.00	10.16	2 270 409 941.00	11.51
Other materials	8	84 119 644.00	56 907 375.00	-47.82	60 207 467.00	5.20	63 502 647.00	5.19
Contracted services		247 975 363.00	293 805 428.00	15.60	495 566 948.00	38.37	525 797 669.00	5.75
Transfers and grants		57 163 011.00	435 000.00	-13 040.92	435 000.00	-	435 000.00	-
Other expenditure	4, 5	168 807 625.00	199 212 188.00	15.26	218 224 457.00	8.47	224 353 318.00	2.73
Loss on disposal of PPE			-	-	-	-	-	-
Total Expenditure		3 250 723 281.00	3 486 408 253.00	6.76	4 000 773 003.00	12.86	4 364 854 951.00	8.34

The following table gives a breakdown of the main expenditure categories for the 2015/16 financial year.

Table 14 Expenditure categories



Considering these cost drivers, the following table is a consolidation of all the expenditures associated with repairs and maintenance:

Table 15 Operational repairs and maintenance

NW373 RUSTENBURG-SUPPORTING TABLE SA34c CONSOLIDATED REPAIRS AND MAINTENANCE										
Description	Ref	2011/12	2012/13	2013/14	Current Year 2014/15			2015/16 Medium Term Revenue & Expenditure Framework		
R thousand	1	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
Repairs and maintenance expenditure by Asset Class/Sub-class										
Total Repairs and Maintenance Expenditure	1	74 244	168 260	149 028	136 648	84 120	84 120	56 907	60 207	63 503

During the compilation of the 2015/16 MTREF operational repairs and maintenance has been decreased by 109.33million. It is appropriated at 5.44% and 5.33% increase in the outer years respectively. For the 2015/16 financial year a huge budget for repairs and maintenance will be spent on infrastructure assets

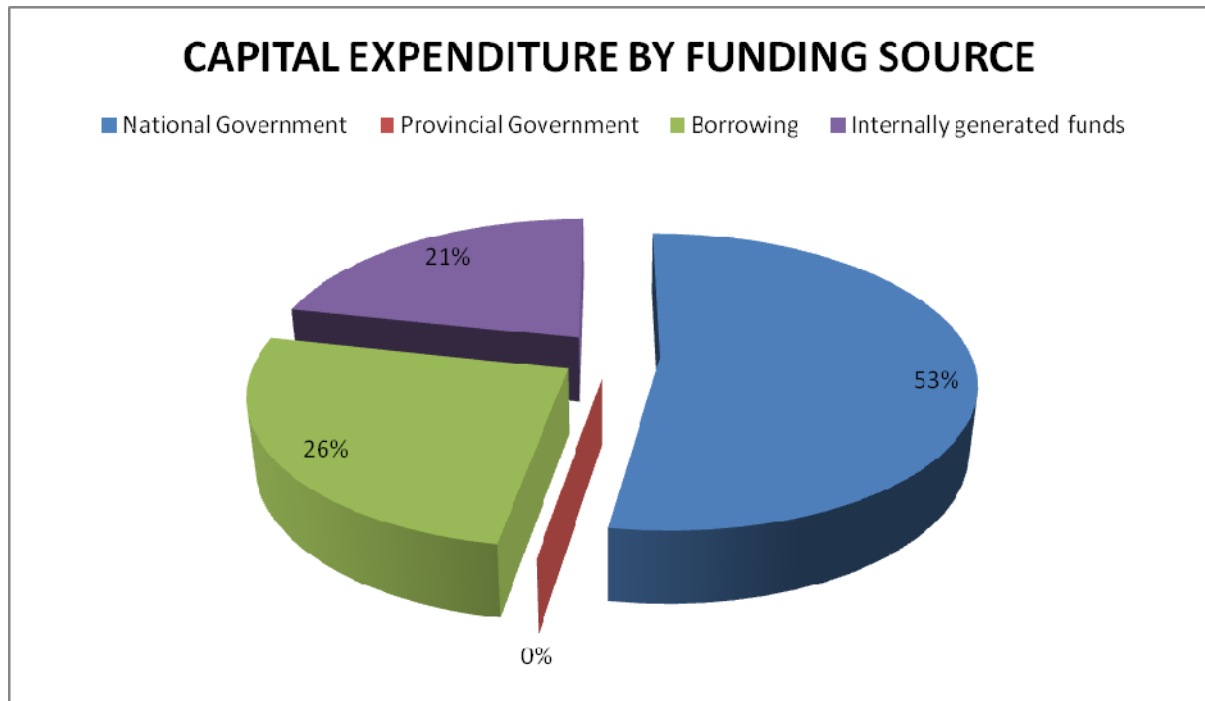
Capital expenditure

The following table provides a breakdown of budgeted capital expenditure by vote:
Table 16 2014/15 Medium-term capital budget per vote

Vote Description	2011/12	2012/13	2013/14	Current Year 2014/15				2015/16 Medium Term Revenue &		
	Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2015/16	Budget Year +1 2016/17	Budget Year +2 2017/18
R thousand										
Capital Expenditure - Standard										
<i>Governance and administration</i>	17 747	50 776	5 288	5 080	301	301	301	5 000	7 000	12 000
Executive and council	492	391	929	5 080	195	195	195	5 000	7 000	12 000
Budget and treasury office	979	1 815	3 992	-	106	106	106			
Corporate services	16 277	48 570	367	-	-	-	-			
<i>Community and public safety</i>	14 809	19 052	119 770	39 688	58 997	58 997	58 997	5 340	5 385	362
Community and social services	1 009	5 728	113 262	348	653	653	653	340	385	362
Sport and recreation	-	5 471	2 553	6 340	10 977	10 977	10 977	5 000	5 000	
Public safety	13 801	7 704	3 955	-	14 366	14 366	14 366			
Housing	-	150		33 000	33 000	33 000	33 000			
Health	-			-						
<i>Economic and environmental services</i>	180 914	577 906	628 809	639 686	860 302	860 302	860 302	545 161	323 780	262 053
Planning and development	1 235	27 181	25 810	3 700	3 700	3 700	3 700	20 000	20 000	24 000
Road transport	179 679	550 724	602 999	635 986	856 602	856 602	856 602	525 161	303 780	238 053
Environmental protection	-			-						
<i>Trading services</i>	82 131	267 125	199 684	373 903	459 468	459 468	459 468	317 407	70 957	87 455
Electricity	61 789	60 536	58 290	165 000	200 841	200 841	200 841	176 274	21 957	21 455
Water	4 888	82 404	96 742	171 784	152 970	152 970	152 970	109 977	15 000	20 000
Waste water management	7 075	45 807	44 651	31 000	70 952	70 952	70 952	26 156	33 000	46 000
Waste management	8 378	78 378		6 119	34 705	34 705	34 705	5 000	1 000	-
<i>Other</i>	-	-	4 325	26 683	26 683	26 683	26 683	367 924	472 254	472 254
Total Capital Expenditure - Standard	295 601	914 859	957 877	1 085 040	1 405 750	1 405 750	1 405 750	1 240 832	879 375	834 124
Funded by:										
National Government	206 216	655 642	957 070	685 925	1 006 331	1 006 331	1 006 331	652 877	406 737	361 508
Provincial Government	600	764	807	348	653	653	653	340	385	362
District Municipality	84	-	-	-	-	-	-	-	-	-
Other transfers and grants	-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	206 900	656 406	957 877	686 273	1 006 983	1 006 983	1 006 983	653 217	407 122	361 870
Public contributions & donations	-	-		-	-	-	-	-	-	-
Borrowing	-	-		372 084	372 084	372 084	372 084	319 692	100 000	100 000
Internally generated funds	88 701	258 453		26 683	26 683	26 683	26 683	267 924	372 254	372 254
Total Capital Funding	295 601	914 859	957 877	1 085 040	1 405 750	1 405 750	1 405 750	1 240 832	879 375	834 124

For 2015/16 financial year, most capital projects will be funded from conditional grants. Road transport and storm water received the highest allocation of R525 million mainly because of PTIS grant received for the project of Rustenburg Rapid Transport and municipal Infrastructure grant in 2015/16 budget year. Trading services is the second highest with R317.million. The loan funded projects is summarized as follows: (R100million for Rustenburg Water Services Trust and R219million is for rolled over projects for Rustenburg Local Municipality).

Table 19 2015/16 Capital expenditure by funding %.



The above table indicates the funding of capital expenditure. The major funding source of the capital expenditure is from national and provincial government at 53% (R618.6million), external borrowings (including roll-overs) is at 26% and internally generated is at 21%.

Annual Budget Tables – Consolidated information.

The following pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. Each table is accompanied by explanatory notes on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

- Table A1 is a budget summary and provides a concise overview of the municipality's budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
- The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
- Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget.
- The Budget Summary provides the key information in this regard:
 - a) The operating surplus/deficit (after Total Expenditure) is positive over the MTREF.
 - b) Capital expenditure is balanced by capital funding sources, of which;
 - i. Transfers recognized are reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
- The Cash backing/surplus reconciliation shows that in previous financial years the municipality was not paying much attention to managing this aspect of its finances. Consequently Council has taken a deliberate decision to ensure adequate cash-backing for all material obligations in accordance with the recently adopted Budget Policy. But over the MTREF there is progressive improvement in the level of cash-backing of obligations.
- Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs

Standard Classification

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification

- Note that as a general principle, the revenues for the Trading Services should exceed their expenditures. The table highlights that this is the case for Electricity, Water and Waste water and Waste management functions.
- Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources.

Budgeted Financial Performance (revenue and expenditure by municipal vote)

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

- Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organizational structure of the municipality. This means it is possible to present the operating surplus or deficit of a vote.
- Note that the surpluses on these trading accounts are utilised as an internal funding source for the capital programme for asset renewal, refurbishment and the development of new asset infrastructure.

Budgeted Financial Performance (revenue and expenditure) Explanatory notes to - Budgeted Financial Performance (revenue and expenditure)

- Services charges relating to electricity, water, sanitation and refuse removal constitutes the biggest component of the revenue basket of RLM.
- Bulk purchases have increased over the 2009/10 to 2015/16 period. These increases can be attributed to the substantial increase in the cost of bulk electricity from Eskom and water from Rand Water and Magalies water.

Employee related costs and bulk purchases are the main cost drivers within the municipality and alternative operational gains and efficiencies will have to be identified to lessen the impact of wage and bulk tariff increases in future years.

- **MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source**

- Table A5 is a breakdown of the capital programme in relation to capital expenditure by municipal vote (multi-year and single-year appropriations); capital expenditure by standard classification; and the funding sources necessary to fund the capital budget, including information on capital transfers from national and provincial departments.
- The MFMA provides that a municipality may approve multi-year or single-year capital budget appropriations.
- The capital programmes are funded from national, provincial grants and transfers, public contributions and donations, loans and internally generated funds from current.

Explanatory notes to Table A6 - Budgeted Financial Position

- Table A6 is consistent with international standards of good financial management practice, and improves understandability for councilors and management of the impact of the budget on the statement of financial position (balance sheet). This format of presenting the statement of financial position is aligned to GRAP1, which is generally aligned to the international version which presents Assets less Liabilities as “accounting” Community Wealth. The order of items within each group illustrates items in order of liquidity; i.e. assets readily converted to cash, or liabilities immediately required to be met from cash, appear first. Table SA3 provides a detailed analysis of the major components of a number of items, including: ‘2
- Call investments deposits;
- Consumer debtors;
- Property, plant and equipment;
- Trade and other payables;
- Provisions non-current;
- Changes in net assets; and
- Reserves

The municipal equivalent of equity is Community Wealth/Equity. The justification is that ownership and the net assets of the municipality belong to the community. Any movement on the Budgeted Financial Performance or the Capital Budget will inevitably impact on the Budgeted Financial Position. As an example, the collection rate assumption will impact on the cash position of the municipality and subsequently inform the level of cash and cash equivalents at year end. Similarly, the collection rate assumption should inform the budget appropriation for debt impairment which in turn would impact on the provision for bad debt. These budget and planning assumptions form a critical link in determining the applicability and relevance of the budget as well as the determination of ratios and financial indicators. In addition the funding compliance assessment is informed directly by forecasting the statement of financial position.

1.1. Explanatory notes to Table A7 - Budgeted Cash Flow Statement: The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. Cash and cash equivalents totals R536 million as at the end of the 2015/16 financial year as budgeted.

1.2. Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the budget must be “funded”. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Explanatory notes to Table A7 – Budgeted Cash Flow Statement: The budgeted cash flow statement is the first measurement in determining if the budget is funded. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget. Cash and cash equivalents totals R536million as at the end of the 2015/16 financial year as budgeted.

Explanatory notes to Table A8 – Cash Backed Reserves/Accumulated Surplus Reconciliation. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of the MFMA Circular 42 – Funding a Municipal Budget. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist. The outcome of the exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investment available and would be indicative of non-compliance with the MFMA requirements that the budget must be “funded”. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

From the table it can be seen that the municipality’s cash flow position is declining. The audited outcome surplus was at R510.5million whilst the projected surplus for the adjusted 2014/15 surplus is at R159.1million. There is a major decrease on the 2015/16 projected surplus when compared to the adjusted budget. The budgeted surplus is at 313.1million. The end objective of the medium-term framework (MTREF) was to ensure the budget is funded aligned to section 18 of the MFMA.

Overview of the annual budget process Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act

Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (1st August 2014) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time lines

IDP and Service Delivery and Budget Implementation Plan

The Municipality’s IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;

- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into consideration and financial planning process leading up to the 2015/16 MTREF, based on the approved 2015/16 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process. Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. A clear understanding of such intent is therefore imperative to ensure that the municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance.

One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the municipality's response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The RLM has seven strategic objectives for the 2015/16 MTREF and further planning refinements that have directly informed the compilation of the budget.

In order to ensure integrated and focused service delivery between all spheres of government it was important for the municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

The 2015/16 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table SA4 is reconciliation between the IDP strategic objectives and budgeted revenue
Table SA5 is Reconciliation between the IDP strategic objectives and budgeted operating expenditure. **Table SA7** - Reconciliation between the IDP strategic objectives and budgeted capital expenditure.

Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the RLM has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages. The planning, budgeting and reporting cycle can be graphically illustrated as follows:

Planning, budgeting and reporting cycle

The performance of the RLM relates directly to the extent to which it has achieved success in realising its goals and objectives, complied with legislative requirements and meeting stakeholder expectations. RLM therefore has adopted one integrated performance management system which encompasses:

- Planning (setting goals, objectives, targets and benchmarks);
- Monitoring (regular monitoring and checking on the progress against plan);
- Measurement (indicators of success);
- Review (identifying areas requiring change and improvement);
- Reporting (what information, to whom, from whom, how often and for what purpose); and improvement (making changes where necessary).

The performance information concepts used by the RLM in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury.

Table SA8 is a Performance indicators and benchmarks

Performance indicators and benchmarks

Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, RLM borrowing strategy is primarily informed by the affordability of debt repayments. The following financial performance indicators have formed part of the compilation of the 2015/16 MTREF:

- Capital charges to operating expenditure are a measure of the cost of borrowing in relation to the operating expenditure.

Liquidity

- Current ratio is a measure of the current assets divided by the current liabilities and as a benchmark the RLM has set a limit of 1. Going forward it will be necessary to maintain these levels.

The liquidity ratio is a measure of the ability of the municipality to utilize cash and cash equivalents to extinguish or retire its current liabilities immediately. Ideally the municipality should have the equivalent cash and cash equivalents on hand to meet at least the current liabilities, which should translate into a liquidity ratio of 1. Anything below 1 indicates a shortage in cash to meet creditor obligations.

Revenue Management

As part of the financial sustainability, an aggressive revenue management has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears. The intention is to streamline the revenue value chain by ensuring accurate billing, customer service, and credit control and debt collection.

On revenue enhancement, the initiative to install prepaid meters for domestic customers is slowly yielding results and the intention is to extend it to other areas where consumption and nonpayment is high.

Installation of automated meter reading for large consumers or industries, replacing approximately 168 water meters that are not AMR compatible and this will surely increase revenue collection.

The ongoing data cleansing exercise ensures that inaccuracies and errors in the billing are addressed as and when identified. This will ensure that all connections are uploaded on the financial system and billed accurately every month.

Due to the cash-flow challenges of the municipality, the following will be undertaken as part of the financial recovery plan:

- Project leader has been appointed to ensure recovery of the initial fees of water and electricity including basic charges not being charged before.
- The target is mainly on complexes and other new developments

- Introduction of the zonal water metering to identify geographical areas where water losses are occurring.
- To audit the meter readings of bulk consumers of electricity to ensure that all are charged or billed for total usage as more will be recovered from this exercise.

RLM, which is expected to benefit the municipality in the form of more competitive pricing of tenders, as suppliers compete for the municipality's business.

Monthly water losses are a concern to the municipality and the following initiatives are earmarked to reduce non revenue and water losses:

1. Water Demand Management:

It is a tool used by management to report monthly on water balances to track water losses and assist in prioritizing initiatives that will address sustained water loss reduction and revenue enhancement. Some of its activities include:

- Hydraulic investigation
- Active leak detection
- Top 100 Consumer Monitoring
- Water Conservation (pressure management, retrofitting of fixtures on main and high consumers such as schools; government owned facilities including municipal owned)
- Awareness and Education Campaign
- Upgrading of Telemetry System

2. Refurbishment Projects

The water unit is already busy replacing agricultural replacement and domestic and bulk water meters and even relocating inaccessible meters and faulty meters

3. Revenue enhancement

The initiative to install prepaid meters for domestic customers is slowly yielding results and the intention is to extend it to other areas where consumption and nonpayment is high.

Installation of automated meter reading for large consumers or industries, replacing approximately 168 water meters that are not AMR compatible and this will surely increase revenue collection.

Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of Rustenburg local municipality.

The cost of the social package of the registered indigent households is largely financed by National government through the local government equitable share received in terms of the annual Division of Revenue Act.

For the 2015/16 financial year RLM intends to increase registered indigents. In terms of the Municipality's indigent policy registered households are entitled to 12kl free water, 50 kWh of electricity.

LIFE LINE TARIFF

The general norm in the municipal sector is that domestic water usage life line tariff should be 0-6kl whilst in Rustenburg is 0-12kl.

It is recommended that the policy for indigent be reviewed and amended to take back the additional 6kl as this contributes negatively for the municipality to be able to attract additional revenue from the water services.

Providing clean water and managing waste water

The Rustenburg Local Municipality is the Water Services Authority for the entire municipality in terms of the Water Services Act, 1997 and acts as water services provider

- The following is briefly the main challenges facing the municipality in this regard:
- The infrastructure at most of the waste water treatment works is old and insufficient to treat the increased volumes of waste water to the necessary compliance standard;
- Shortage of skilled personnel makes proper operations and maintenance difficult;
- Electrical power supply to some of the plants is often interrupted which hampers the purification processes;

Overview of budget related-policies

Rustenburg Local Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies are attaches as Annexure “C”

Review of credit control and debt collection procedures/policies

The Collection Policy as approved by Council and it is currently under review. While the adopted policy is credible, sustainable, manageable and informed by affordability and value for money there has been a need to review certain components to achieve a higher collection rate. Some of the possible revisions will include the lowering of the credit periods for the down payment of debt, the revision of the life line water tariff to become 6kl and not 12kl.

In addition emphasis will be placed on speeding up the indigent registration process to ensure that credit control and debt collection efforts are not fruitlessly wasted on these debtors.

As most of the indigents within the municipal area are unable to pay for municipal services because they are unemployed. The 2015/1 MTREF has been prepared on the basis of achieving an average debtors’ collection rate of 84 per cent on current billings

Asset Management

A proxy for asset consumption can be considered the level of depreciation each asset incurs on an annual basis. Within the framework, the need for asset renewal was considered a priority and hence the capital programme was determined based on renewal of current assets versus new asset construction.

Budget Policy

The Budget Policy aims to empower senior managers with an efficient financial and budgetary amendment and control system to ensure optimum service delivery within the legislative framework of the MFMA and the RLM system of delegations.

The Budget Policy was approved by Council. The adjustments budget process is governed by various provisions in the MFMA and is aimed at instilling and establishing an increased level of discipline, responsibility and accountability in the financial management practices of municipalities. To ensure that the RLM continues to deliver on its core mandate and achieves its developmental goals, the mid-year review and adjustment budget process will be utilised to ensure that underperforming functions are identified and funds redirected to performing functions.

The adopted policy in 2014/15 financial year will still be implemented in 2016 with no changes.

Supply Chain Management Policy

The Supply Chain Management Policy will be reviewed

Cash Management and Investment Policy

RLM Cash Management and Investment Policy has not being amended by Council. The aim of the policy is to ensure that RLM surplus cash and investments are adequately managed, especially the funds set aside for the cash backing of certain reserves. The policy details the minimum cash and cash equivalents required at any point in time and introduce time frames to achieve certain benchmarks.

Funds and Reserves Policy

This is a new proposed policy to be implemented from 1st July 2015 onwards once approved by Council after public participation.

The purpose of this policy is to ensure that municipality maintains cost effective and efficient cash funding, that provisions and reserves are maintained at the sufficient required level to avoid future unfunded liabilities.

The policy is in line with the requirements of Section 8 of the Local Government: Municipal Budget and Reporting Regulation of 2009 (Government Gazette 32141 in order to monitor and sustain the municipality's financial management.

Tariff Policies

RLM tariff policies provide a broad framework within which the Council can determine fair, transparent and affordable charges that also promote sustainable service delivery. The policies have been approved on various dates and a consolidated tariff policy is envisaged to be compiled for ease of administration and implementation of the next two years. All the above policies are available on the RLM website, as well as the following budget related policies:

- Property Rates Policy
- Budget Policy;
- Basic Social Services Package (Indigent Policy)
- Borrowing policy.

Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor and Council has progressively improved and includes monthly published financial performance on Rustenburg Local Municipality website.
2. Internship programme
The municipality is participating in the Municipal Financial Management Internship programme and has employed seven interns in 2014 with the resignation of one and are undergoing training in various sections of the Budget and Treasury Office and Internal Audit. The municipality has already absorbed almost ten interns over a three year period. RLM is intending to appoint another five interns
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.

Municipal manager's quality certificate

I, municipal manager of RLM, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Advocate B. Khenisa
Municipal manager of RLM (NW373)

Signature _____

Date _____

RECOMMENDED:

ACTION

1. That the multi-year annual budget of Capital and Operating expenditure for the 2015/2016 of 4 7billion and two outer years 2014/15 R 4.9 billion and R5.2 billion for 2015/16 and related policies be considered for approval as per the following tables: BTO

Table A1 – Budget Summary

Table A2 – Budgeted Financial Performance (Revenue and expenditure by standard classification)

Table A3 – Budgeted Financial Performance (revenue and expenditure by municipal vote)

Table A4 – Budgeted Financial Performance (Revenue and Expenditure)

Table A5 – Budgeted Capital Expenditure by Vote, standard classification and funding

Table A6 – Budgeted Financial Position

Table A 7 – Budgeted Cash Flows

Table A8- Cash backed reserves / accumulated Surplus reconciliation

Table 9 – Asset Management

Table 10 – Basic Delivery measurement

2. That **Council** take note that for the 2015/16 financial year the revenue and expenditure budgeted for has a surplus of R683 million inclusive of non cash items BTO
3. That in terms of section 75 A of the Local Government Municipal Systems Act, all consumptive tariffs, Rates, Basic charges be amended as proposed below for implementation on 01 July 2015 as per **Annexure B**. BTO

Property Rates	6.20%
Water	6% to 46 %
Electricity	9% to 16%
Sewerage	4% to 14%
Refuse Removal	3% to 6% + variable
Other tariffs	3% to 6%

4. That all the sundry tariffs and other tariffs be amended as proposed in Annexure B for implementation on 01 July 2015; BTO
5. That the budget together with the proposed budget related policies to be tabled in Council be subjected to Community participation BTO
6. That an annual increase of 5.8% in salaries as per circular 74 and an additional for filling of vacancies be implemented from 01 July 2015 for all the employees of Rustenburg local municipality including section 57 managers. BTO

7. That provision has been made for 6% estimated increase on the adjusted budget in the salaries increases of councilors which still have to be announced in terms of the Public Office Bearers Act
8. That all directors should monitor the revenue of their directorates regularly, and should they find that the estimated revenue would not be realized, advice Budget and Treasury Office so that a budget adjustments report could be submitted timeously to Council for approval.
9. That in terms of section 75A of the Municipal Systems Act , interest be charged for all outstanding accounts for period longer than 30 days at a rate equal to prime interest rate plus two (2) for other services and for Rates be charged at prime plus one (1) as regulated by the regulations for municipal property rates;
10. That the capital expenditure to be financed from grants and other external mechanisms takes place after the funds are secured and have been confirmed in writing or received.
11. That the directorates responsible for claiming the grants and sourcing of other funding means ensure that such is done punctually in order to prevent cash flow challenges for Council and that a copy of the claims for funds be made available to the Budget and Treasury Office.
12. That directors submit their directorates' financial needs (Operational and Capital) of the next financial year budget cycle within the timeframe as determined in the IDP and budget process plan still to be tabled and adopted by Council on or before the end of August 2015.
13. That the measurable performance objectives for revenue from each source and for each vote contained in the budget report as determined in terms of section 24(2)(c)(iii) of the MFMA be approved.
14. That the following new budget related policies be approved for implementation as from 01 July 2015:

Borrowing ,Funds and Reserve Policy
Inventory Management
Liquidity Policy

That the following budget related policies with amendments be approved for implementation as from 01 July 2015:

Credit Control and Debt Collection Policy
Indigent Policy
Borrowings Policy
Tariffs policy
Rates policy

15. That the following budget related policies be noted without changes

Budget policy
Cash Management and Investment Policy
Fixed Assets Management Policy
Supply Chain Management Policy
Travelling and Subsistence
16. That the by-laws on the Credit Control and Debt Collection Policy, Property Rates Policy be developed after being subjected to public participation. BTO
17. That the unspent conditional grant be rolled over and be implemented once the approval from National Treasury has been received in writing BTO
18. That the budget as proposed includes the budget for the Rustenburg Water Services Trust BTO
19. That the tabled 2015/16 MTREF be subjected to public participation BTO
20. That the approved Medium Term Revenue and Expenditure (MTREF) Forecasts for financial years be 2015/2016 to 2017/18 both printed and electronic formats be submitted to National and Provincial Treasury; BTO
21. That the approved (MTREF) budget together with the tariffs be placed on the municipal website and be publicized in terms of Section 21 A and B of the Municipal Systems Act as well as the MFMA and applicable regulations; BTO